

EXECUTIVE SECRETARIAT  
ROUTING SLIP

TO:

|    |           | ACTION | INFO | DATE | INITIAL |
|----|-----------|--------|------|------|---------|
| 1  | DCI       |        | X    |      |         |
| 2  | DDCI      |        |      |      |         |
| 3  | EXDIR     |        |      |      |         |
| 4  | D/ICS     |        |      |      |         |
| 5  | DDI       |        |      |      |         |
| 6  | DDA       |        |      |      |         |
| 7  | DDO       |        |      |      |         |
| 8  | DDS&T     |        |      |      |         |
| 9  | Chm/NIC   |        |      |      |         |
| 10 | GC        |        |      |      |         |
| 11 | IG        |        |      |      |         |
| 12 | Compt     |        |      |      |         |
| 13 | D/Pers    |        |      |      |         |
| 14 | D/OLL     |        |      |      |         |
| 15 | D/PAO     |        |      |      |         |
| 16 | SA/IA     |        |      |      |         |
| 17 | AO/DCI    |        |      |      |         |
| 18 | C/IPD/OIS |        |      |      |         |
| 19 | NIO/ECON  |        | X    |      |         |
| 20 | D/OGI     |        | X    |      |         |
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| 22 |           |        |      |      |         |

SUSPENSE \_\_\_\_\_

Date

Remarks

STAT

Executive Secretary

9 Oct 85

Date

85-3865/1

**THE WHITE HOUSE**  
**ON-FILE NSC RELEASE INSTRUCTIONS APPLY SHINGTON**

**CABINET AFFAIRS STAFFING MEMORANDUM**Date: 10/7/85 Number: \_\_\_\_\_ Due By: \_\_\_\_\_

Subject: Economic Policy Council Minutes:

September 5, 6, 9, and 11 meetings

| ALL CABINET MEMBERS | Action                   | FYI                                 | Action                              | FYI                                 |
|---------------------|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Vice President      | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| State               | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Treasury            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Defense             | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Justice             | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
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| Agriculture         | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Commerce            | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Labor               | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| HHS                 | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| HUD                 | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Transportation      | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Energy              | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Chief of Staff      | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Education           | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| OMB                 | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| <b>CIA</b>          | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| UN                  | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| USTR                | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
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| GSA                 | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| EPA                 | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| NASA                | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| OPM                 | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| VA                  | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| SBA                 | <input type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |

**REMARKS:**

Attached for your information are the minutes of the following Economic Policy Council meetings:

September 5

September 6

September 9

September 11

**RETURN TO:**

Alfred H. Kingon  
 Cabinet Secretary  
 456-2823  
 (Ground Floor, West Wing)

Don Clarey  
 Rick Davis  
 Ed Stucky

Associate Director

Executive Registry

JSA

**MINUTES**  
**ECONOMIC POLICY COUNCIL**

September 9, 1985  
2:00 p.m.  
Cabinet Room

**Attendees:** The President, Messrs. Baker, Weinberger, Meese, Block, Baldrige, Herrington, Regan, Casey, Walters, Yeutter, Sprinkel, Wright, Whitehead, Ford, Darman, Kingon, McAllister, Buchanan, McFarlane, Oglesby, Speakes, Svahn, Thomas, Chew, Dawson, Khedouri, Mulford, Robinson, Smart, Stucky, and Wallis and Ms. Dole.

#### 1. Trade Policy Strategy

Secretary Baker stated that the Economic Policy Council was returning to present to the President the trade principles and policies, which the Council has refined and developed since the August 7 meeting with the President on trade policy. He stated that the phrase "free trade with a bite" best characterizes the policy developed by the Council noting that the United States can no longer afford, at least politically, to maintain open markets, without challenging our trading partners to do the same. The actions taken by the President in the five Section 301 cases are examples of the "bite" that it needed to make free trade fair trade.

He noted that the failure of many of our trading partners to open their markets to our products, along with large U.S. trade deficits, has created a strong protectionist mood within the Congress. He stated that a forceful articulation of the President's trade policy is necessary to slowdown protectionism and give our Republican allies on the Hill something to fight back with.

Secretary Baker briefly outlined the major elements of the trade policy developed by the Economic Policy Council over four or five meetings:

The United States should recognize that the trade deficit is not largely a result of unfair trade practices but caused in great part by the recent strength of the dollar.

The President's tax reform proposal is needed to strengthen our economy and make U.S. business more competitive overseas.

The Administration must use the October IMF meetings to encourage our trading partners to improve their growth.

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We are not seeking old fashioned "pump priming" but rather major structural adjustments, such as less government, more private enterprise, tax reform and financial market liberalization.

The Administration is unequivocally committed to free and fair trade and will continue vigorously to promote an open trade system.

At the same time, we should pursue our rights and interests under U.S. law and the GATT, holding other countries accountable to their responsibilities and for their actions. We will continue vigorous enforcement of U.S. antidumping and countervailing duty laws.

The Economic Policy Council is forwarding for the President's consideration a proposal to establish a "war chest" to match unfair export subsidies offered by the French. The sole purpose of the "war chest" is to encourage the French to reach an agreement further restricting such subsidies.

The Administration will take tactical measures to eliminate unfair foreign trade practices and open foreign markets. If negotiations fail, we may have to retaliate by limiting access to U.S. markets.

But we will oppose any legislation that requires the President to close U.S. markets.

The Administration will increase efforts to protect intellectual property rights (working with a view toward a possible Administration initiative in this area) including giving owners of propriety information the ability to protect this information by giving them the right to challenge requests for this information under the Freedom of Information Act.

We will continue MOSS discussions with Japan. However, time limits will be placed on current discussions to assure a timely resolution. New sectors that offer the promise of expanded U.S. exports will be added. We will also follow up on the 1984 yen-dollar report liberalizing Japan's financial markets and internationalizing the yen.

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The United States will seek to reduce the trade deficit by increasing exports, not restricting imports.

The Administration will work with private sector advisory groups such as the President's Export Council to improve exports and we will evaluate Federal export promotion activities during the fall budget review to improve their effectiveness.

We will support legislation to remove the export disincentives in the Foreign Corrupt Practices Act and we also will increase our efforts to aid State governments interested in promoting export activities through State agencies.

There is a great need for a more comprehensive, disciplined, and effective system of world trade rules. The system needs fixing.

The Administration will maintain our efforts to launch a new GATT round. At the same time we will pursue all possible bilateral and plurilateral negotiating opportunities.

If requested by the Canadian Government, we will work with Congress to explore the possibilities of a free trade arrangement, such as we have with Israel.

The Administration is committed to market solutions to trade problems at home and abroad, but occasional exceptions in the form of relief from import competition may be necessary. In those cases, the relief should be transparent, time specific, decline over the period of relief, and lead to greater competitiveness.

The Economic Policy Council will review all worker-assistance programs to assure that they effectively meet the retraining needs of displaced workers.

The United States reserves the right to respond to foreign economic conditions and imports which threaten industries essential to our long-term national security.

The Administration will enforce our export control laws to prevent transfers of sensitive and critical technology of military significance to our potential adversaries, while at the same time recognizing the importance of the widest possible access to foreign markets and exchange of scientific information to U.S. businesses.

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To improve the operation of the international monetary system, the Administration is prepared to consider the value of hosting a high-level meeting of the major industrial countries to build upon the G-10 studies. This meeting would consider in a cooperative fashion the policies and performance of major industrial countries, and seek to determine how these can be improved to promote convergence toward non-inflationary growth.

We also will encourage debt-burdened LDCs to reduce government impediments to the functioning of markets and substitute capital for debt by encouraging both domestic and foreign investment.

A joint Economic Policy Council and Domestic Policy Council working group is reviewing antitrust statutes and will seek to amend them, if warranted, to improve our international competitiveness. We will also consider trade implications when deregulating markets, using the leverage created by these actions to seek to open foreign markets.

Secretary Baker concluded by noting that the major question remaining is how to present the President's trade policy, citing a televised speech, trade legislation, and a bipartisan commission on trade as possibilities discussed by the Economic Policy Council.

Secretary Weinberger expressed concern that the statement was not strong enough concerning technology transfers that the Soviet Union could turn into a major military advantage.

The Council's discussion focused on the "war chest," discussing whether it should be targeted against the French, and the possibility that Congress may expand it beyond our expectations.

The Council also discussed with the President the virtues and drawbacks of a major public Presidential speech on trade and a possible Administration trade bill. Ambassador Yeutter noted that a bill incorporating the major following elements would be significant: authority to enter a new multilateral round of negotiations, extending non-tariff barrier authority, protecting intellectual property rights, improving antidumping laws, and speeding up Section 301 cases.